

Indiana Utility Regulatory Commission

Natural Gas Forum

October 18, 2006

Northern Indiana Public Service Company



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Today's Objectives

- **NIPSCO Gas Supply Strategy**
- **Gas Supply / Winter Plan**
 - o Diversified winter supply portfolio
 - o Price volatility mitigation
 - o Storage
 - o Hedging
- **Forecast for Winter 2006 / 2007**
 - o Key assumptions
 - o Impact on residential customers
 - o Comparison to last winter
- **Communication and Outreach**
- **Customer Options**
 - o Access to alternative products and services
 - o Energy Assistance



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NIPSCO Gas Supply Strategy



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NIPSCO's Gas Supply Objectives

Portfolio Diversity

- o Supply reliability
- o Cost effective
 - Committed to purchase lowest reasonable cost
- o Supply flexibility
 - Interconnects with seven interstate pipelines
 - Access to multiple supply basins/suppliers
- o Price volatility mitigation
 - Storage
 - Hedging
- o Creates a balanced portfolio

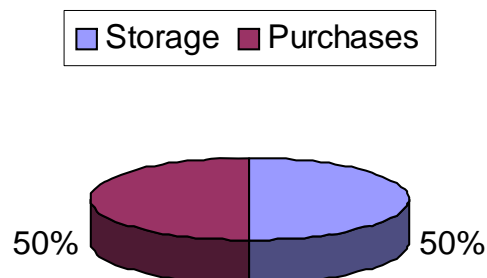


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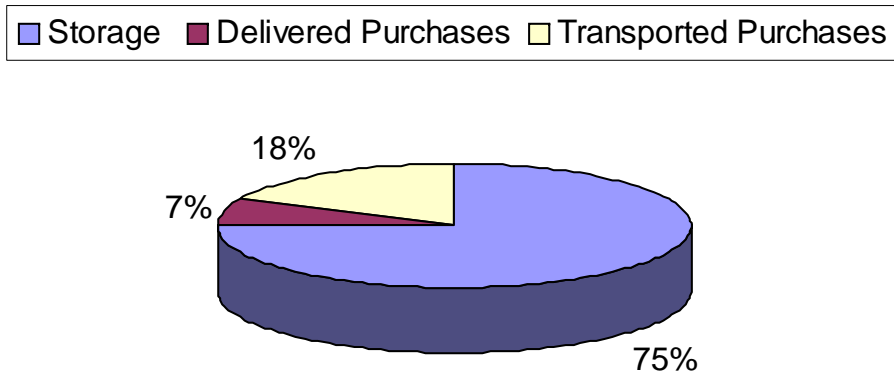
NIPSCO's Strategy- A Balanced Portfolio

Storage is Key to Reliable Supply and Stable Prices

**NIPSCO Planned Supply Mix for Winter
(November 2006 - March 2007)**



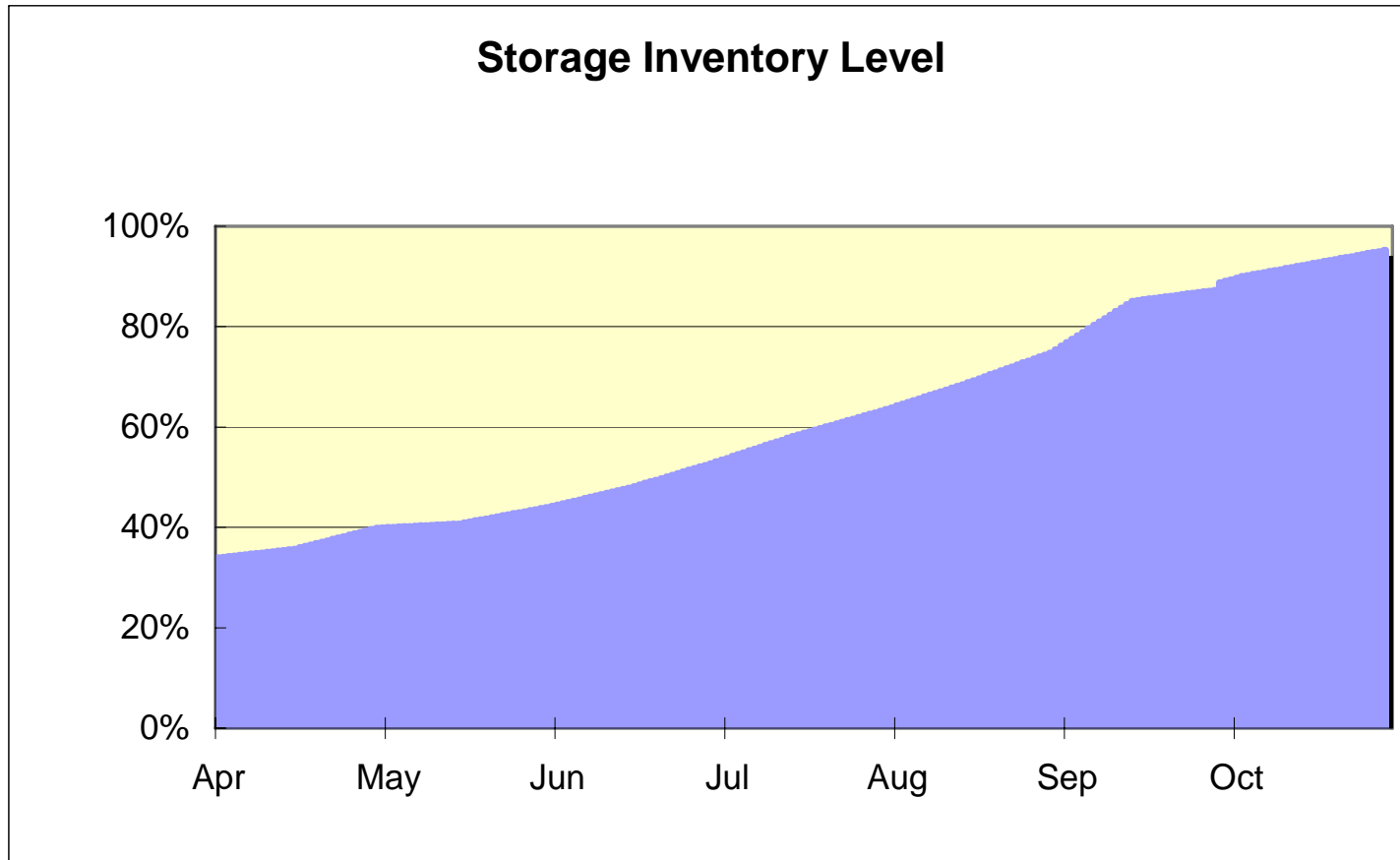
NIPSCO Peak Day Supply Plan



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NIPSCO's Strategy - A Balanced Portfolio

Storage on Target for Winter 2006-2007



November 1 Target at 92%

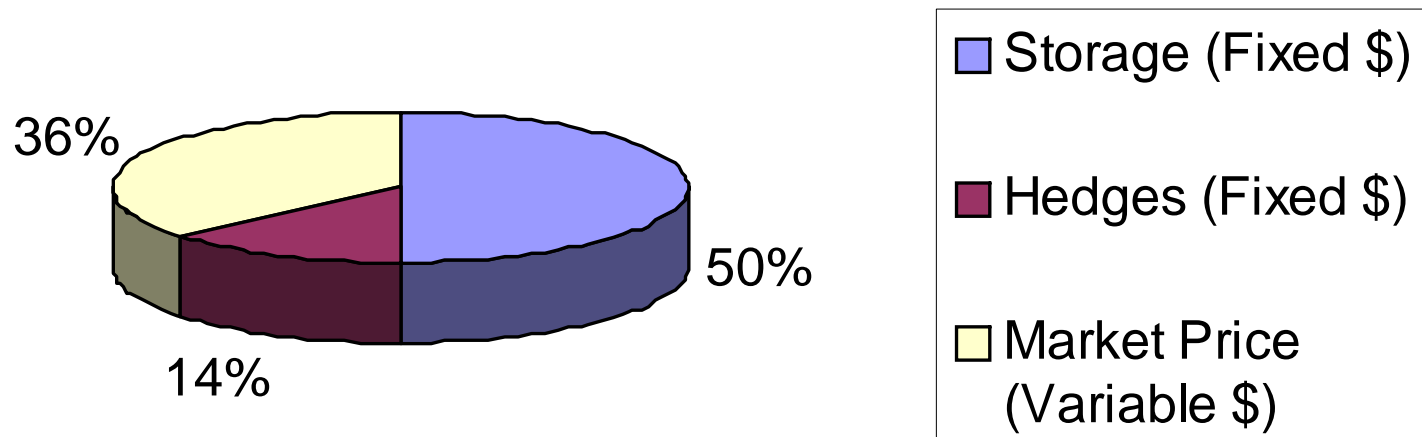


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NIPSCO's Strategy- A Balanced Portfolio

Volatility Mitigation: Fixed vs. Market Price

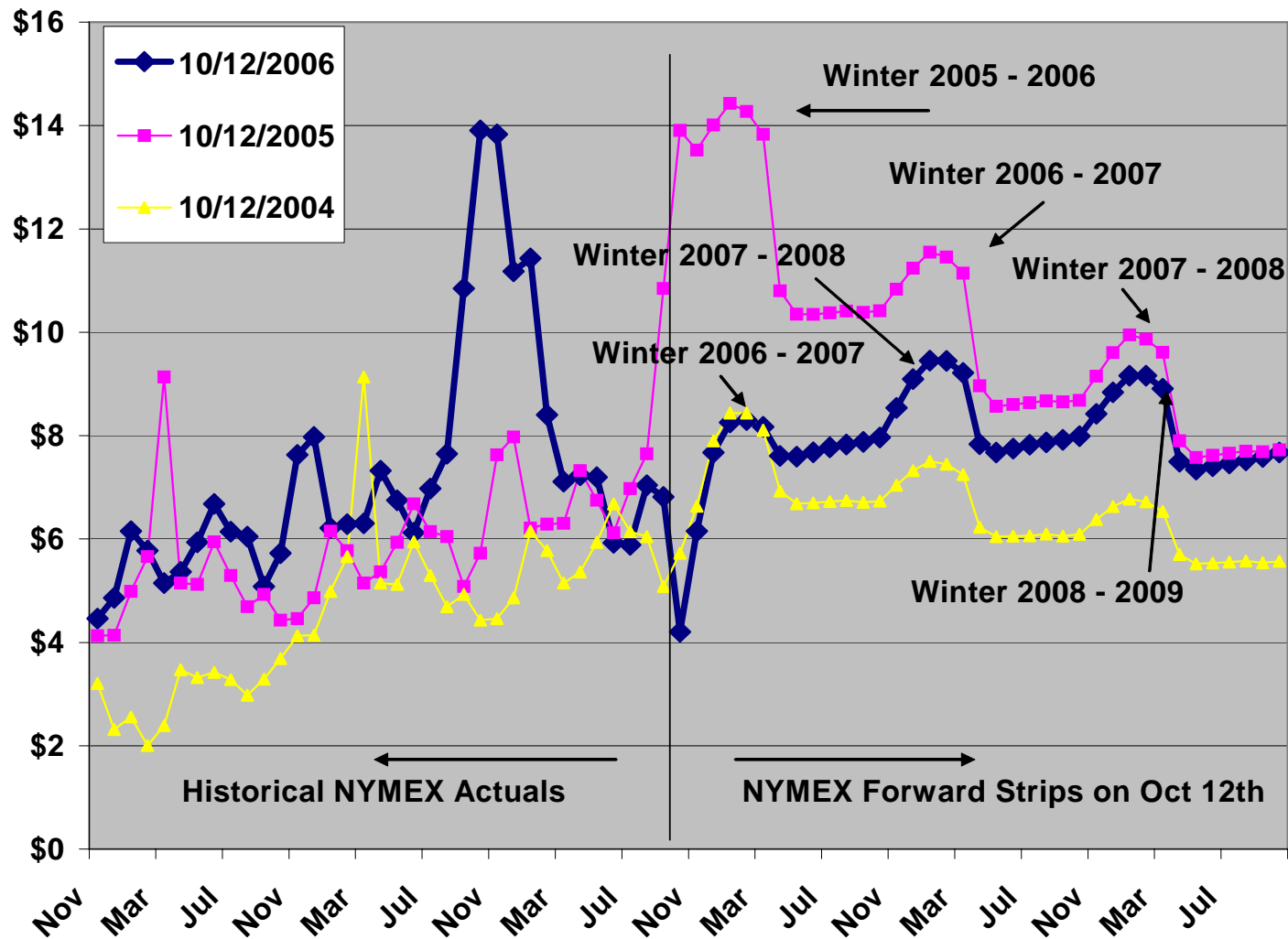
NIPSCO Planned Price Mix for Winter (November 2006 - March 2007)



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Forward Strip Comparison

NYMEX Futures Contract at Henry Hub



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Forecast for Winter 2006 / 2007



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Key Assumptions

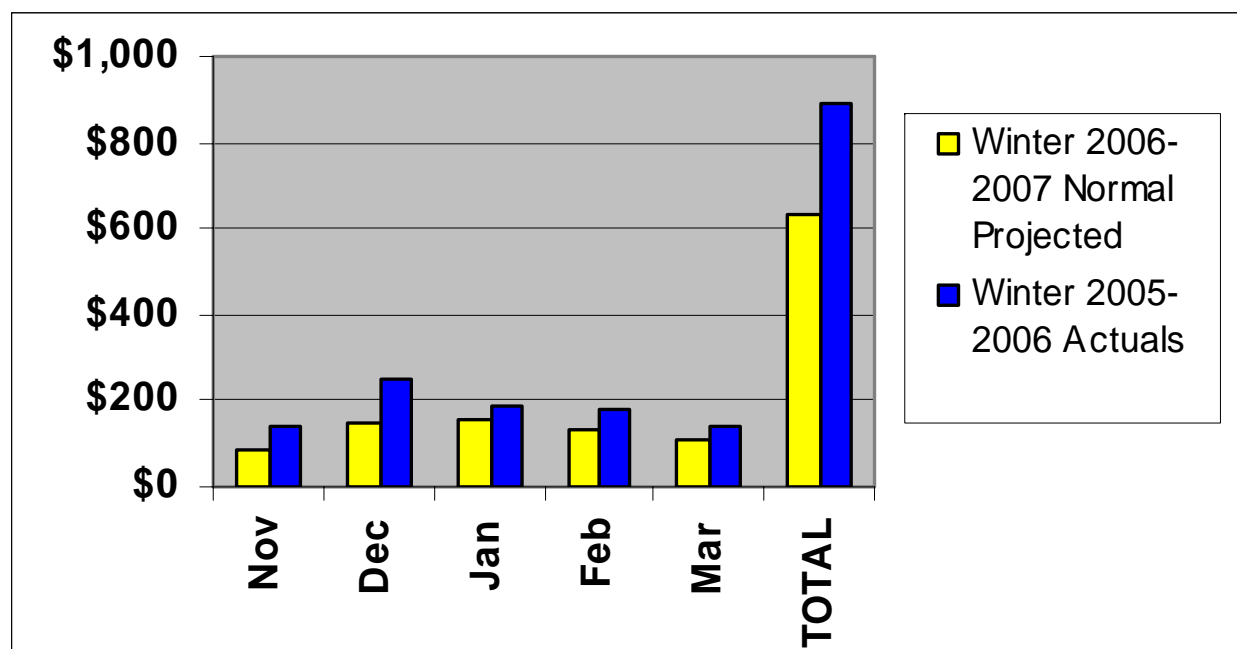
- **NIPSCO defines winter as November – March**
- **Winter 2006 / 2007 price and bill forecasts assume normal weather. Last winter was 6% warmer than normal**
- **Commodity purchases reflect NYMEX futures at September 28, 2006 close**
- **NIPSCO's winter forecast can be impacted by several unpredictable external factors:**
 - **Weather variations**
 - **Supply disruptions**
 - **Geopolitical considerations**
 - **Oil prices**
 - **Gas used in power generation**
- **NIPSCO continues to experience reduced usage / customer**



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Impact on Residential Customers

Winter 2006 /2007 prices are anticipated to be 30% lower than winter 2005 / 2006 actuals



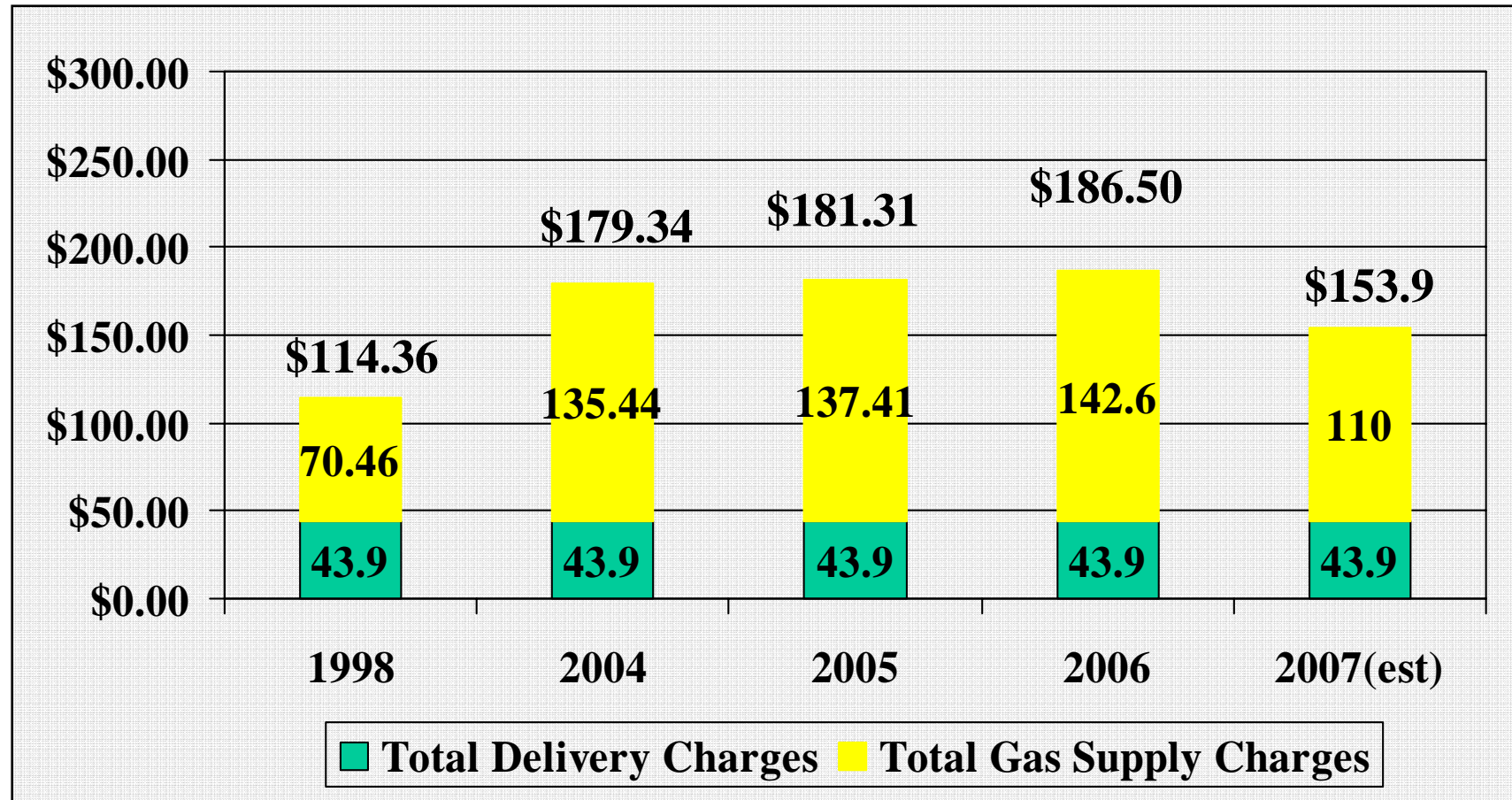
- *Weather can impact prices and consumption*
- *Changes in the gas market can impact prices*
- *Average bill for 2006/2007 winter projected at \$631 vs. 2005/2006 actual winter at \$891*



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NIPSCO Delivery Charges are Unchanged

January Gas Bills – Residential Heating



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NIPSCO Communication and Outreach



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NIPSCO's Winter Communication Messages

- Educate customers re: weatherization and conservation and encourage them to prepare now for winter
 - o Turn-back thermostat
 - o Install programmable thermostat
 - o Consider energy efficient appliances
- Consider services such as NIPSCO budget payment plan, available at any time
- Contact local agencies to see if you are eligible for assistance programs such as LIHEAP, Township, Help Thy Neighbor or NIPSCO Winter Warmth and Gift of Warmth
- Contact NIPSCO immediately if customers are experiencing bill payment problems



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NIPSCO Customer Outreach

Customer Communication

**NIPSCO works to
assist customers
with energy bills**



How NIPSCO Communicates With Our Customers ...

- Energy fairs
 - Gary
 - South Bend
- Print, Radio and Cable TV ads
- Monthly bill inserts
- Community meetings & presentations
- Our website at www.nipSCO.com
- Consumer Advisory Panels
- Heating bill forecast
- Monthly NIPSCO energy minute



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Energy Efficiency Outreach

Lake County Energy Task Force



- Lake County energy fair, Saturday October 14 in Gary
- More than 1,000 in attendance
- Exhibitors included:
 - Indiana OUCC
 - Menards
 - Lowe's Home Improvement
 - Gary Fire Department



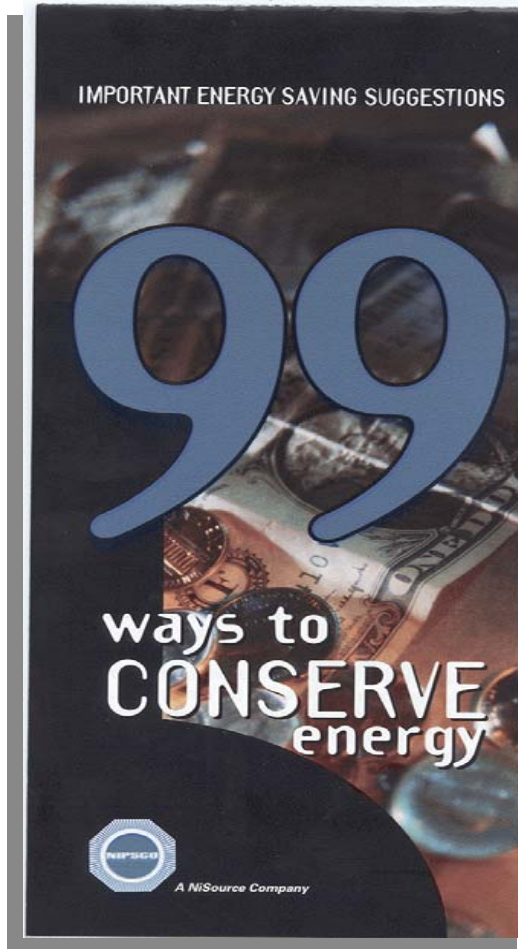
- Interactive displays and weatherization demonstrations
- NIPSCO planning similar event in South Bend on November 11



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NIPSCO Customer Outreach

Additional Helpful Hints....



- Mailed free to our customers upon request, the brochure offers customers 99 ways to conserve energy and save on their energy bills,
- Residential usage per customer has reduced



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NIPSCO, Customer Contact Center Merrillville, IN

- Serves NIPSCO gas and electric customers
- NIPSCO participates in Customer Satisfaction Surveys - Wilkerson & Associates.
 - Random sampling of customer's recent service contact with NIPSCO
 - Impression of the Company
 - Automated Phone System (IVR)
 - Interaction with Customer Service Rep.
 - 1st Call Resolution and Scheduling a Field Visit
 - NIPSCO's service representative overall performance - 92%
- Through twelve months ended August, Average Speed of Answer (ASA) is 53 seconds

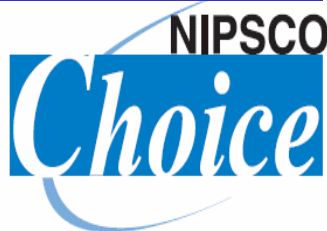
NIPSCO Customer Options



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NIPSCO Provides Customer Options

NIPSCO GCA Service



NIPSCO BudgetPlan



Explanation	Customers at 2006
<ul style="list-style-type: none"> ✓ Customers pay for amount of energy actually used ✓ NIPSCO purchases gas and arranges for portfolio in customers behalf ✓ Gas prices fluctuate monthly with market conditions 	591,253
<ul style="list-style-type: none"> ✓ NIPSCO Choice provides gas customers the opportunity to choose their gas supplier. ✓ An opportunity to save money on gas bills, purchase new products and services and take control of energy costs ✓ Receive the same high quality service that customers expect from NIPSCO. ✓ Continue to receive delivery of gas through the current NIPSCO distribution system 	59,909
<ul style="list-style-type: none"> ✓ Under PPS Fixed Price option, customers pay the same price per therm ✓ The fixed price for natural gas will remain constant for a 12-month period ✓ Changes in the market price of natural gas will not affect the price ✓ Under PPS Capped Price option, the gas supply charge will be capped for 12 months ✓ The gas delivery charges on customers bills will vary from month to month depending on how much gas is used under either Fixed price or Capped option 	43,434
<ul style="list-style-type: none"> ✓ Customers pay the same amount each month throughout the entire year. ✓ Monthly statement will always show the status of your account. ✓ Each May, the amount paid is compared to actual usage to determine if customers have overpaid or underpaid ✓ Debit and credit balances, will be adjusted accordingly. 	206,224 *
<ul style="list-style-type: none"> ✓ Customized based on gas usage history and the historical temperatures in the area. ✓ The fixed payment will remain the same for the 12-month term. ✓ No interim adjustment or end-of-year settle-up due to usage or gas prices. ✓ DependaBill guarantees a fixed monthly bill, but not guarantee savings. ✓ Customers enroll by phone or online. ✓ DependaBill is for metered natural gas only 	10,364

* Approximately 17% of PPS/Choice customers also enrolled in BudgetPlan

Questions ?



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